

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 97-505

MAINE PUBLIC UTILITIES COMMISSION,
Investigation of Total Element Long-Run
Incremental Cost (TELRIC) Studies and
Pricing of Unbundled Network Elements

ORDER

March 8, 2002

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

In this Order we: (1) *sua sponte* reconsider our Order of February 12, 2002, relating to switching rates; (2) adopt interconnection rates for Verizon; and (3) make several non-substantive corrections to our February 12th Order.

II. BACKGROUND

On February 12, 2002, we issued an Order in this docket which established TELRIC-compliant rates for Verizon-Maine, including rates for switching services. (See lines 490-507 of Attachment B of the February 12, 2002 Order). On February 12, 2002, we also issued a procedural order which requested comment on certain interconnection rates proposed by Verizon.

On February 15, 2002, AT&T filed comments in Docket No. 2000-849, Inquiry Regarding the Entry of Verizon-Maine into the InterLATA Telephone Market Pursuant to Section 271 of the Telecommunications Act of 1996, claiming that the switching rates established in this docket were 28% higher than those recently adopted in New York and that Maine's rates contributed to a prize squeeze that prevented CLECs from competing with Verizon.

On February 21, 2002, Verizon filed Comments in response to the February 12, 2002 Procedural Order relating to Interconnection Rates and pointing out several typographical errors relating to updated spreadsheets that were filed on January 23, 2002.

III. DECISION ON SWITCHING RATES

A. Minutes of Use Calculation

AT&T's filing in our 271 proceeding caused us to review our calculations of the switching rates we established in this proceeding. Upon our review, we realized that in making our calculations, we had relied on a Verizon input that we incorrectly assumed represented all minutes of use reported in 1996. We describe here our review

and how we determined that we should modify the switching rates previously established in this proceeding.

Attached to AT&T's submission was a spreadsheet which purported to show that Maine's switching rates are 28% higher than the rates recently adopted by the New York Public Service Commission. A key undocumented assumption in AT&T's analysis is that each switched line has a total monthly usage of 2,770 (1385 originating + 1385 terminating) minutes.

In order to evaluate the reasonableness of the assumption relating to total minutes, we reviewed the ARMIS data contained in Tables 1 and 2 found in Attachment A to this Order. The data suggests the following levels of usage per month:

Year	Billable access lines	Dial Equipment Minutes	Usage per line, per month
1996	626,535	9,894	1,316
1997	648,084	11,408	1,467
1998	681,356	13,080	1,600
1999	710,275	14,765	1,732
2000	720,275	17,075	1,974

This level of usage is different from the level reported in Verizon's switching cost study. Verizon reported that during the busy-hour, the level of usage was 3,223,574 minutes (Workpaper, Part B, page 95 of 97, last column). The busy-hour minute cost is converted to a per minute cost by using a factor of 2,291 (Workpaper, Part B, page 81 of 97). Hence, the 3,223,574 busy-hour minutes is equivalent to $2,291 * 3,223,574 = 7,385,208,034$ annual minutes. These 7.385 billion annual minutes are considerably lower than the actual total minutes of 9.894 billion minutes in 1996.

It is unclear why the value in Verizon's study is lower than the total minutes of use. The reason, however, is irrelevant because when we calculated our switching rates, we presumed that the minutes of use developed on page 95 of 97 of Verizon's cost study reflected total minutes of use. Our presumption was based on the fact that there is nothing in the Verizon study to indicate whether and why some minutes were excluded from Verizon's study.

Verizon's exclusion of minutes resulted in an overstatement of their proposed rates because shared costs are not spread over the total level of demand. The exclusion also caused the rates we adopted to be overstated because we used the minutes of use listed in Verizon's study rather than actual minutes reported to the FCC ARMIS data in our calculations. Table 3 in Attachment A summarizes the decreases in per minute rates for switching (and several other rates that are impacted by the switching rate) that result from the use of total, rather than Verizon-proposed minutes of use.

We find that Verizon's UNE switching rates should be calculated using the FCC ARMIS data for 1996, rather than the minutes listed in Verizon's study.

B. Rate Design

During the course of our review of the switching rates described above, we recognized that we had adopted a \$0.00 rate for night and weekend switching. This is the outcome of applying Verizon's rate period factors that appear at page 80 of 97 of the switching study (part 2-B of the study). Line 3 of the study shows that no costs are assigned to the night period. The value of 0 also appears at page 8 of 97, line 4.

While no costs were assigned to the night period, Verizon did propose to assign a rate to that period in order to recover a portion of the fixed TELRIC cost associated with switching. (See page 92 of 97 of Verizon's study, Line 1) The fixed investment is the "getting started" cost identified by Verizon's switching model.

The FCC's switching investment function, which we used in our calculations, also has a getting started investment. However, the FCC's model assigns the getting started costs to the port and the traffic sensitive switching investments (30% to port; 70% to traffic sensitive investment). Therefore, 70% of the getting started investment is recovered through the traffic sensitive rate.

Upon further reflection, we find it appropriate to reconsider our earlier decision to assign a rate of \$0.00 to nights and weekends. In recent years, the usage patterns have changed substantially due to the growth of Internet use and substantially lower toll rates for nights and weekends. Accordingly, we find that we should set a rate for the night and weekend period. Rather than try to mimic Verizon's original design, we will establish one switching rate applicable to all 24 hours of the day. This is accomplished by taking the total costs associated with switching and dividing them by the total minutes of use. Using the costs we developed in our February 12, 2002 Order and the 1996 ARMIS minutes described above, results in a 24-hour a day switching rate of \$0.001680 per minute of use. Table IV of Attachment A reflects the changes to our switching rates resulting from use the new all hours rate.

While we make no finding that Maine's switching rates must bear a specific relationship to New York's rates, we note that the new 24-hour rate we adopt today results in a total switching cost per month which is within 2% of the new New York rates. (See Table V of Attachment A).

IV. DECISION ON INTERCONNECTION RATES

In its Comments on our February 12th Procedural Order, Verizon argued that the values shown for Tandem Transit Service (TTS) in cells I 77, I 78 and I 79, should match the values Verizon developed for TTS (depicted in Attachment B of the February

12th Procedural Order, Summary Tab, cells E 24, G 24 and I 24) from the underlying TELRIC costs as determined our February 12th Order.

We agree with Verizon. Upon review of our initial filing on this issue, the Commission recognizes that it inadvertently picked up the Unbundled Common Transport Charge and assigned this rate to the TTS. The corrected rates can be found on the Interconnection spreadsheet of Attachment B to this Order.

Verizon next presented arguments relating to the line port charges and proposed a change in the way the Commission developed the costs for Meet Point C - DS1 Line Ports (found at Lines 102, 104 and 106 of Attachment A to the February 12th Procedural Order). Verizon argues that the methodology utilized by the Commission in developing the cost for a DS1 Line Port connection in a Meet Point C arrangement, i.e. dividing the cost for 4 DS1s (an Integrated Digital Loop Carrier) Line Port by 4, is not an accurate depiction of the cost of this element. Verizon argues that a more accurate proxy for DS1 port rates in the context of a Meetpoint C interconnection arrangement would be the rate for a DS1 DID/PBX Port connection. According to Verizon, a DS1 DID/PBX Port connection is analogous in function and in cost to a DS-1 meetpoint C arrangement, and is already reflected on line 294 (\$88.63 Urban), line 297 (\$93.37 Suburban) and line 300 (\$103.66 Rural) of the UNE spreadsheet attached to our February 12, 2002 Order.

We have considered Verizon's arguments but we reject them because they are inconsistent with the way Verizon calculates similar rates. Specifically, while Verizon urges us to make these changes now, Verizon did not utilize a DS1 DID/PBX Port connection rate as a proxy for Meet Point C - DS1 Line Ports in its filing on January 23, 2002. Our inspection of the filing shows that at rows C93-C97 of the Interconnection tab, the line port charges are given as \$114.48, \$111.36, and \$162.24, respectively. These rates are exactly $\frac{1}{4}$ of the rates for the Integrated Digital Loop Carrier Port, found at C227-C231 of the UNE tab in Verizon's January 23rd filing. Since Verizon itself used our methodology, the Commission sees no compelling reason for changing the methodology it employed in devising its rates for Meet Point C - DS1 Line Ports.

Finally, Verizon recommends that all usage rates that are carried out to the seventh decimal place be rounded to the sixth decimal place for consistency with other usage rates, as is the standard practice for wholesale traffic sensitive usage rates. We agree with this suggested change.¹

In addition to the foregoing observations on the Interconnection spreadsheet, Verizon asserts that the Commission based its February 12, 2002 Order on the original January 7th spreadsheets filed in this case, overlooking two specific revisions made in the January 23rd updated filing. This is not the case. The Commission based its Order on the revisions that were filed on January 23rd by Verizon. However, Verizon is correct that the Commission's filing overlooked two of the corrections that were contained in the January 23rd filing.

¹Rounding should be done as follows: 0-4 round down, 5-9 round up.

Specifically, the Commission did not address the Cooperative Testing Element contained in the January 23rd filing. This was an oversight and the rates may now be found at lines 203-205 of the UNE Rates spreadsheet found at Attachment B to this Order. Second, the Commission's filing has the rates for Unbundled Tandem Transport (lines 528-530 of the UNE spreadsheet attached to the February 12, 2002 Order), as being geographically sensitive. Verizon is correct in pointing out that the labeling of these rates should be changed to indicate that they are time of day sensitive and not geographically sensitive. This was also an oversight and is corrected in Attachment B.

V. CONCLUSION

Attachment B to this Order contains all of the final TELRIC rates set in this proceeding. The rates specifically set in sections III and IV above shall be effective as of the date of this Order (or earlier if Verizon so chooses) while all others were effective as of February 12, 2002.

Dated at Augusta, Maine, this 8th day of March, 2002.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.